

Memorandum

To: Panel Members

From: Ron Tagami, Manager
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **PolyOne Corporation**
(www.polyone.com)

Date: February 27, 2003

Analyst: V. Salazar

CONTRACTOR:

- Training Project Profile: Retraining: Companies with Out-of-State Competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 1,200
 - In California: 45
- Fringe Benefits: No
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$7,800
- Substantial Contribution: \$0
- Total ETP Funding: \$7,800
- In-Kind Contribution: \$18,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Los Angeles County
- Duration of Agreement: 24 months

SUBCONTRACTORS:

California Consortium for Business Improvement (CCBI), Northridge, California (\$6,188 for training and \$728 for administration).

THIRD PARTY SERVICES:

CCBI assisted with the completion of the application at no charge to the Contractor.

NARRATIVE:

PolyOne Corporation, is eligible for ETP funding under the out-of-state competition provisions specified in Title 22, California Code of Regulations, Section 4416(b), for a manufacturing company that is retraining current employees.

PolyOne, located in Santa Fe Springs, California, manufactures a wide variety of rubber and plastic components for aerospace, medical, and automotive industries. The company was originally established in 1885 as M.A. Hanna Rubber Compounding, by Marcus Alonzo Hanna to produce rubber, coal, iron ore, and pig iron. In the year 2000, the company was renamed PolyOne Corporation.

PolyOne states that it is facing strong out-of-state competition due to the high cost of doing business in California. Company representatives state that major competitors such as, Columbia Rubber Mills in Clackamas, Oregon; Rainier Rubber Company in Seattle, Washington; and other domestic and off-shore competitors have been able to underbid the company due to lower labor costs and an overall lower cost of doing business in places other than California. Furthermore, company officials indicate that PolyOne is undergoing price pressures with a growing customer shift towards lower-priced products, a constant demand for improved product quality, and faster delivery schedules.

To face these challenges and remain competitive in today's global marketplace, PolyOne states that the company must upgrade its products, improve the manufacturing process, and its ability to deliver goods on time. To achieve this, the company officials indicate that PolyOne must train its employees in Continuous Improvement to create a Lean Manufacturing environment. The ETP-funded training will be an essential component in the implementation of a high performance workplace.

Continuous Improvement

The Continuous Improvement training will allow a selected number of production workers, one supervisor, and one manager to learn the Lean Manufacturing system, to improve the production flow, identify problems and solutions in the manufacturing process, improve efficiency, enhance product quality, and improve customer satisfaction. In addition, the training will consist of classes in process re-engineering, Kaizen process improvement, and establishment of effective Kanban systems.

Supplemental Nature of Training

PolyOne has no formal company-wide training program. Previous training has consisted of state mandated safety training, Microsoft Office computer training for selected employees, and employee orientation classes for new hires.

Without ETP funding, PolyOne would be unable to deliver this training in the form, manner, and timeframe in which it will be delivered with ETP funding. Once the ETP-funded class/lab training concludes, the company plans to provide frequent on-the-job training sessions in Lean Manufacturing, as well as Safety courses and other various Microsoft Office computer seminars.

In-Kind Contribution

PolyOne will contribute about \$18,000 in wages while the employees are in training.

COMMENTS:

The 15 trainees in this Agreement are frontline workers, as defined under Title 22, California Code of Regulations, Section 4400(ee) (3).

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement if funds are available and the project meets Panel priorities based on PolyOne's stated need to provide employees with skills to enhance its ability to remain competitive, to grow, and maintain a continuing relationship with its customers. The implementation of this proposed training will enable the company to remain viable in the California economy.

TRAINING PLAN:

Job/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 1 Retrainees	Continuous Improvement	15	40	0	0	\$520	\$11.92 – \$20.19
					<u>Range of Hourly Wages</u>		
					\$11.92 – 20.19		
					<u>Prevalent Hourly Wage</u>		
					\$14.00		
					<u>Average Cost per Trainee</u>		
					\$520		
<u>Health Benefit used to meet ETP minimum wage:</u>					<u>Turnover Rate</u>	<u>% of Mgrs & Supervisors to be trained:</u>	
No Health Benefits will be applied to the base wage to meet the ETP minimum hourly wage of \$11.92 for Los Angeles County.					18%	13%	

PolyOne Corp.

Curriculum

Class/Lab Hours

40 hours

Job 1

CONTINUOUS IMPROVEMENT

Lean Manufacturing

- Process Re-Engineering
- Kaizen Process Improvement
- Establishing Effective Kanban Systems